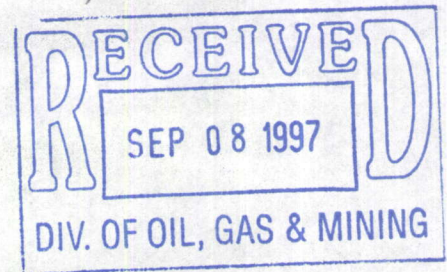


9/031/002

Paradise Management Company

1025 North Main ♦ Fillmore, UT 84631 ♦ 801-743-5848



September 02, 1997

Mr. John T. Blake
State of Utah
Trust Lands Administration
675 East 500 South, Suite 500
Salt Lake City, UT 84102-2818

Dear Mr. Blake:

This letter is to document and provide information on the current status of negotiations affecting State Clay Leases ML27110 and ML27206.

Atch. #1 is Interstate Brick Co. letter, postmarked 15 August 1997, in which Interstate gives notice of its intent to drop its Sublease and Agreement on the aforesaid State Leases.

Atch. #2 is my letter to Interstate outlining actions required to bring the Sublease and Agreement to an orderly closure. It also provides Interstate with formal notice of my election to assume the burden of reclamation under the terms of the agreement and provides Interstate with a copy of your letter of 20 August 1997 in which you outline productions requirements.

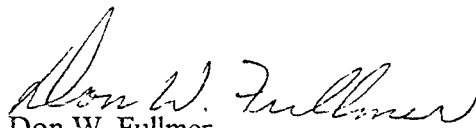
Based on the foregoing, Interstate has communicated its decision to perform the productions requirements for 1997, (Telecon Jerry North - Don Fullmer 08-26-97). This should provide more time for an orderly assumption of responsibility and forestall some emergency measures which might have otherwise been necessary.

I have obtained approval for a Bank Letter of Credit and am preparing documents necessary to assume the reclamation burden for the aforesaid leases. I will be contacting you in the near future to discuss the timing of these documents in view of Interstates decision to perform this years production.

At your suggestion I have contacted Mr. Lynn Kunzler of the State Division of Oil Gas and Mining and have scheduled a joint visit to inspect the mining property on 4 September 1997.

It is requested that the State consider the possibility of combining the two State Leases into one lease covering the same acreage. This would, if approved, eliminate the necessity of producing from two separate locations and would result in fewer acres being disturbed. Overall revenue to the State would be the same under either configuration. This action was recommended by the State at one time. In view of the limited market currently available for this clay product and in view of Interstates decision to discontinue its use, combining the leases appears to be especially appropriate at this time.

Sincerely,


Don W. Fullmer

DWF/sw

2 Atch: As stated

CC: State Div. of Oil Gas & Mining

Paradise Management Company

1025 North Main ♦ Fillmore, UT 84631 ♦ 801-743-5848

August 22, 1997

James E. Keck
Interstate Brick
9730 South 5200 West
West Jordan, UT 84088-5625

Dear Mr. Keck:

This will acknowledge receipt of your letter, postmarked August 15, 1997, in which you give notice of your decision to terminate our Sublease and Agreement dated 11 July 1980. The 90-day notice, required by paragraph 13 of the agreement, would make the termination effective at close of business on 13 November 1997. Several actions and elections are required in the interim in order to bring this agreement to an orderly closure.

As you are aware, production is required, on the State Leases, by 30 September, each year, in order to keep them in force. See State of Utah letter; copy attached. Paragraph 11 of the agreement requires Interstate to perform this obligation while the sublease is in force. Since this deadline occurs during the time that the agreement will be in force, it is Interstates obligation to perform the necessary production.

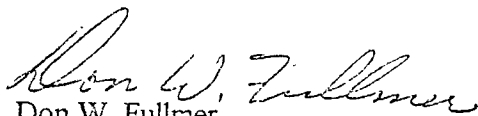
Your letter indicates that you do not plan to haul any additional clay in the near future. If this means that you do not intend to perform the production by the required dates, then I must take emergency action to prevent the State Leases from lapsing due to failure to perform. We consider this to be a very serious matter and do not plan to permit the leases to lapse due to neglect. Paragraph 11 of the agreement provides that I may go upon the land and perform the necessary obligations and Interstate shall upon demand pay over to me the reasonable value of such work. In view of the impending deadline, I will be contacting you in the very near future to learn how you want to have this handled.

Paragraph 12 of the agreement provides that, in the event of termination, I as the owner may elect to assume the burden of reclaiming the land. This will serve as formal notice of my election to assume this burden. I am at this time initiating paperwork, with the State, to assume the burden of reclamation and make possible the release of Interstates obligation. Paragraph 13 also provides that Interstate will pay over to the owner 85% of the determined cost of reclamation. We plan to work closely with you and the State to bring about this assumption of responsibility.

Paragraph 13 provides that minimum royalties shall be prorated as of the effective date of termination (13 November 1997) and that any production royalties through that date would also be due and payable.

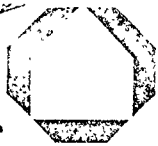
We have enjoyed our business relationship, which has existed in one form or another, since the early 1950's. I knew and respected John Cahoon, Harold Cahoon and Harvey Cahoon from the days when the company plant was located where Brickyard Plaza now stands. More recently I have found Jerry North a pleasure to work with. We hope that the future will provide an opportunity to renew our business relationship.

Sincerely,


Don W. Fullmer
President

DWF/sw

1 atch: State of Utah letter, 20 August 97



INTERSTATE BRICK

9780 South 5200 West
West Jordan, Utah 84088
(801) 280-5200
(800) 233-8654
FAX (801) 280-5220

August 5, 1997

RECEIVED
AUG 14 1997

Mr. Don W. Fullmer
P. O. Box 368
Fillmore, Utah 84631

Re: Koosharem Sublease

Dear Don;

Through new clay developments with our clay mixes we are currently using almost no Koosharem clay at this time. We do have at least a five year reserve at our plant site and we do not plan on hauling any additional clay in the near future. Other economic factors have also caused some concerns with this clay over the past few years. The minimum yearly amount as indicated in the lease is simply much more than we require at present and the overall cost of the clay has driven us to finding ways to eliminate the Koosharem from our mixes.

At this time we are formally giving you our 90 day notice, as required by our lease, that we will be dropping this lease.

We have enjoyed our relationship with you and I am sure we will stay in touch.

Sincerely,

James E. Keck
Plant Manager

JEK/awg

cc: Jerry North
Ron Fuoco

CLAY DIVISION

H.C. MUDDOX: 4875 Bradshaw Road • Sacramento, CA 95827 • (800) 776-1244 • FAX (916) 362-9182
INTERSTATE BRICK: 9780 South 5200 West • West Jordan, Utah 84088 • (800) 233-8654 • FAX (801) 280-5220
GLADDING, McBEAN: 601 7th Street • P.O. Box 97 • Lincoln, CA 95648 • (800) 776-1133 • FAX (916) 645-1723

a division of **PACIFIC COAST**
building products

att #1 Box 1/1